

## Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 ISO-00 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07  
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 DODE-00 H-01  
INT-05 L-03 NSC-05 PA-01 CTME-00 SS-15 ITC-01  
ICA-11 SOE-02 DOE-15 /124 W  
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R 251309Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 6774  
INFO ALL EC CAPITALS  
AMEMBASSY BRASILIA

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USEEC

E.O.11652: N/A  
TAGS: EAID, ETRD, BR, EEC  
SUBJECT: EC AND BRAZIL TO HOLD FURTHER EXPLORATORY TALKS  
-- ON POSSIBLE FRAMEWORK AGREEMENT FOR ECONOMIC  
-- AND COMMERCIAL COOPERATION

1. MISSION IS INFORMED THAT EXPLORATORY TALKS ARE PLANNED FOR LATER THIS MONTH IN BRUSSELS BETWEEN BRAZILIAN EMBASSY AND EC COMMISSION EXTERNAL RELATIONS OFFICIALS ON THE POSSIBILITY OF REVISING THE EXISTING EC-BRAZIL LIMITED NON-PREFERENTIAL TRADE AGREEMENT. THE OUTCOME OF THESE TALKS, WHICH FOLLOW-UP ON AN INITIAL EXCHANGE OF VIEWS HELD HERE APRIL 3, WILL DETERMINE WHETHER THE TWO SIDES DECIDE TO OPEN NEGOTIATIONS ON A COMPREHENSIVE FRAMEWORK AGREEMENT FOR ECONOMIC AND COMMERCIAL COOPERATION. COMMISSION OFFICIALS TELL US THAT THE INITIATIVE FOR EXPLORING THE REVISION OF THE PRESENT AGREEMENT LIES WITH GOB; THE ISSUE WAS FIRST RAISED LAST OCTOBER DURING A  
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MINISTERIAL LEVEL DISCUSSION WITH EC COMMISSIONER FOR INDUSTRIAL AFFAIRS, DAVIGNON. IF THERE IS A CONSENSUS FAVORING REVISION AT THE WORKING LEVEL, BOTH SIDES REPORTEDLY WILL SEEK AUTHORITY TO OPEN FORMAL NEGOTIATIONS, POSSIBLY BEGINNING NEXT FALL.

2. EC COMMISSION AND BRAZILIAN EMBASSY OFFICIALS ARE

CAUTIOUS REGARDING THE POTENTIAL SCOPE OF A NEW AGREEMENT: THEY UNDERLINE THAT THE ONGOING TALKS ARE PURELY INFORMAL AND EXPLORATORY, I.E., WITHOUT PRESENT COMMITMENT TO BEGIN FORMAL NEGOTIATIONS. HOWEVER, JOURNALISTIC ACCOUNTS INDICATE THAT THE GOB WOULD LIKE TO SEE INDUSTRIAL PROMOTION, TRANSFER OF TECHNOLOGY, JOINT VENTURES BETWEEN BRAZILIAN AND EUROPEAN FIRMS, AND RESEARCH AND DEVELOPMENT ASSISTANCE IN THE AERONAUTICS AND ELECTRONIC SECTORS INCORPORATED INTO AN EVENTUAL TRADE COOPERATION FRAMEWORK AGREEMENT. WE ARE TOLD BY COMMISSION OFFICIALS THAT A REVISED AGREEMENT (BASED ON THE PRESENT EC-CANADA MODEL) MIGHT SERVE AS AN UMBRELLA FOR THE FOLLOWING SUBSTANTIVE FEATURES:

- A) PROCEDURES FOR STRENGTHENING CONSULTATION AND EXCHANGE OF INFORMATION AMONG GOVERNMENT AND BUSINESS REPRESENTATIVES ON BOTH SIDES TO PREVENT ABRUPT INVOCATION OF TRADE SAFEGUARD MEASURES AFFECTING CERTAIN SECTORS, E.G., TEXTILES;
- B) BILATERAL APPLICATION OF THE COMMISSION'S PROPOSED SCHEME FOR PROTECTION AND GUARANTEE OF EUROPEAN PRIVATE INVESTMENT IN THE DEVELOPING WORLD;
- C) POSSIBLE LONG-TERM CONTRACTS COVERING BRAZILIAN EXPORTS OF RAW MATERIALS OF INTEREST TO THE EC-NINE;
- D) CONTINUATION OF THE EXISTING TRADE CONCESSIONS TO BRAZIL PROVIDED UNDER THE COMMUNITY'S GSP.

3. COMMISSION OFFICIALS SAY THAT SINCE THERE IS NO LIMITED OFFICIAL USE

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ADEQUATE PRECEDENT FOR NEGOTIATING A FRAMEWORK AGREEMENT ON THE EC-CANADA MODEL BETWEEN THE COMMUNITY AND A DEVELOPING COUNTRY, THEY DO NOT EXPECT TO ACHIEVE RAPID RESULTS IN THE BRAZILIAN CASE, ASSUMING THE OUTCOME OF THE EXPLORATORY TALKS IS POSITIVE. NOR IS THE COMMISSION, WHICH IS CONTENT TO LEAVE THE INITIATIVE WITH THE BRAZILIAN SIDE, SEEKING TO ACCELERATE THE ONGOING TALKS. IF THE GOB SHOULD DECIDE THAT IT FAVORS A COMPREHENSIVE AGREEMENT, HOWEVER, THE COMMISSION REPORTEDLY WOULD WELCOME SUCH A STEP, IN PART BECAUSE AN OVERALL FRAMEWORK AGREEMENT WOULD SYMBOLIZE THE INCREASING IMPORTANCE OF EC-BRAZIL ECONOMIC AND TRADE RELATIONS. (IN 1976, FOR EXAMPLE, BRAZIL'S EXPORTS TO THE EC AMOUNTED TO ONE-THIRD OF ITS TOTAL WORLD EXPORTS, ACCORDING TO EC STATISTICS.) IN SUM, ACCORDING TO OUR COMMISSION SOURCES, A KEY EC NEGOTIATING OBJECTIVE VIS-A-VIS BRAZIL WOULD BE TO PROMOTE BETTER MANAGEMENT OF THE EXPANDING RELATIONS BETWEEN THE TWO TRADING PARTNERS. THESE SOURCES ALSO DO NOT EXCLUDE POTENTIAL LINKAGE OF ECONOMIC, FISHERIES AND NUCLEAR POLICY ISSUES UNDER THE UMBRELLA AFFORDED BY AN EVENTUAL FRAMEWORK AGREEMENT. HINTON

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## Message Attributes

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